

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-14 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 /109 W

-----114964 061746Z /46

R 061315Z SEP 77

FM AMEMBASSY BERN

TO SECSTATE WASHDC 4885

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL ZURICH POUCH

UNCLAS BERN 4092

USMTN ALSO FOR MISSION

USOECN ALSO FOR EMBASSY

PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJECT: SWISS FINANCIAL REVIEW: WEEK OF AUGUST 28/SEP 3

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC ROSE IN NERVOUS AND HECTIC MARKET. CAPITAL MARKET INTEREST RATES ARE EXPECTED TO DECLINE FURTHER. NEW GOVT PROPOSAL WOULD AID ECONOMICALLY DEPRESSED REGIONS TO DIVERSIFY FROM SINGLE PREDOMINANT INDUSTRY. SWISS NATIONAL BANK END-AUGUST BALANCE SHEET TOTAL WAS DOWN 0.5 PERCENT FROM END-JULY. END SUMMARY.

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2. FOREIGN EXCHANGE AND GOLD: WEEK BEGAN WITH DOLLAR RATE FALLING TO HISTORICAL LOW OF SF 2.3678 EARLY MONDAY. DEALERS SAID DOLLAR DECLINE WAS UNEXPECTED DEVELOPMENT MADE POSSIBLE ONLY BECAUSE OF UNSETTLED MARKET CONDITIONS REACTING TO DEVALUATION OF NORDIC CURRENCIES. SOME SAID US ECONOMIC SITUATION AND SWISS BALANCE OF PAYMENTS SURPLUS WERE ADDITIONAL FACTORS. DOLLAR RATE ABRUPTLY RECOVERED MONDAY TO CLOSE NEAR SF 2.40, AIDED

BY INDICATIONS SNB MIGHT INTRODUCE FURTHER CONTROLS ON SHORT-TERM FRANC SALES TO FOREIGNERS. HOWEVER, SNB LATER SAID IT WOULD CONTINUE PRESENT POLICY WHICH LIMITS FORWARD FRANC SALES BY BANKS UNDER 10 DAYS TO 30 PERCENT OF LEVEL OF SUCH SALES OUTSTANDING ON OCTOBER 31, 1974, AND SALES BEYOND 10 DAYS TO 40 PERCENT. FRANC ALSO EASED AGAINST DM. JOURNAL DE GENEVE COMMENTED THAT SWEDEN'S DEPARTURE FROM EUROPEAN SNAKE SNOWED DIFFICULTY OF MAINTAINING FLOATING RATES AND PREDICTED FURTHER MOVEMENT OF CURRENCIES TO LINK WITH DOLLAR AS THE MAJOR TRADING CURRENCY. DEALERS SAID GOLD PRICE CONTINUED SLOW UPWARD MOVEMENT INFLUENCED BY INCREASED PURCHASES ON US MARKET. SOVIET GOLD SALES WERE REPORTEDLY SPORADIC. RATES FOLLOW:

8/29 (OPEN) 9/2 (CLOSE)

SPOT DOLLAR	2.3710	2.3930
FORWARD DISCOUNTS		
(PERCENT PER ANNUM)		
ONE MONTH	3.60	4.01
TWO MONTHS	3.78	4.26
THREE MONTHS	3.77	4.01
SIX MONTHS	3.46	3.68
TWELVE MONTHS	3.38	3.51

SF/DM	102.64	103.19
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GOLD	145.5	146.00
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3. CAPITAL AND MONEY MARKETS: SNB EXTENDED FOR ONE MONTH SHORT-TERM SWAPS TO HELP BANKS TO OVERCOME SLIGHT LIQUIDITY SHORTAGE AT END-AUGUST. INTEREST RATES MOVED P BRIEFLY AT MONTH END BUT HAVE SINCE DECLINED. AVERAGE YIELD CONFEDERATION BONDS SLIPPED FROM 4.10 AT MID-WEEK TO 4.06. STOCK PRICES GAINED; SKA INDEX ROSE 1.1 PERCENT TO NEW 1977 HIGH OF 235.3. MARKET OBSERVERS BELIEVE INTEREST RATES WILL DECLINE FURTHER TO 4 PERCENT FOR FIRST CLASS BORROWERS.

4. INVESTMENT ASSISTANCE: THE GOVT HAS DISCLOSED A PLAN AS A FIRST STEP TO STEM MIGRATION FROM ECONOMICALLY DEPRESSED REGIONS BY CO-FINANCING, WITH PRIVATE INDUSTRY, CANTONS AND BANKS, SPECIFIC PROJECTIONS TO BRING INNOVATION AND DIVERSIFICATION TO THOSE AREAS. THREE CANTONS WHERE WATCH INDUSTRY IS PREDOMINANT ARE UNDER INITIAL CONSIDERATION, AS WELL AS AREAS OF DEPRESSED TEXTILE WORK. THE PLAN WILL BE DISCUSSED BY INTERESTED GROUPS BEFORE PRESENTATION TO PARLIAMENT. SOME SF 30 MILLION WOULD BE BUDGETED ANNUALLY FOR 10 YEARS TO ASSUME INTEREST PAYMENTS ON BANK LOANS. AN ADDITIONAL FUND OF SF 250 MILLION WOULD PROVIDE LOAN GUARANTEES.

5. SNB BALANCE SHEET: END-AUGUST SNB BALANCE SHEET TOTAL
 WAS DOWN 0.5 PERCENT FROM END-JULY. NOTES IN CIRCULATION WERE
 UP 4.2 PERCENT FROM END-AUGUST 1976, AN INDICATION THAT MONEY
 SUPPLY (M1) IS WITHIN RANGE OF 5 PERCENT ANNUAL GROWTH RATE
 TARGET.

AUGUST 31 (CHANGE FROM JULY 29)
 (MILLIONS OF SWISS FRANCS)

ASEETS

GOLD	11,904	--	--	
FOREIGN EXCHANGE	12,944	DOWN	144	
ROOSA BONDS	4,444	DOWN	110	
DISCOUNTED PAPER	1,101	DOWN	46	
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LOMBARD LOANS	115	--	--	
OTHER	1,181	UP	131	

LIABILITIES

NOTES IN CIRCULATION	18,512	DOWN	142	
GIRO ACCTS	7,238	DOWN	505	
STERILIZATION ORDERS	899'	--	--	
OTHER	5,040	UP	478	

BALANCE SHEET TOTAL	31,689	DOWN	169	
WARNER				

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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From: BERN MTN
Handling Restrictions: n/a
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Litigation History:
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: n/a
Previous Handling Restrictions: n/a
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: SWISS FINANCIAL REVIEW: WEEK OF AUGUST 28SEPT 3
TAGS: EFIN, SZ
To: STATE BONN
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d62b784d-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009